

March 4, 2010

Testimony of Chief Thomas J. Sweeney to the Public Safety Committee regarding Raised Bill No. 5342 – ***AN ACT CONCERNING THE LICENSING AND RECORD KEEPING OF PAWNBROKERS AND PRECIOUS METAL AND STONE DEALERS, THE RETENTION OF CERTAIN GOODS AND CERTAIN FEES CHARGED BY PAWNBROKERS.***

As I address Raised Bill 5342 which is before you today concerning the licensing and record keeping of pawnbrokers and precious metal dealers I do so not only as a representative of the Connecticut Police Chief's Association but also as the Chief of one of the six police departments which were centrally involved with last summer's wide scale investigation of illegal fencing activities being conducted through a number of Connecticut pawn shops. From that investigation we know that systematic fencing activities are being conducted through a segment of the pawn shops in the State. Such fencing activity facilitates the criminal activity of a substantial number of career thieves engaged in burglaries, larcenies and organized retail theft across the State. Pawnbroking is recognized in the law as an industry particularly well situated to dispose of stolen merchandise. Accordingly, the Connecticut Police Chiefs recognize and strongly support the need for improved licensing and regulation of the pawnbroking industry. House Bill No. 5342 does not, however, even begin to approach the scope of legislative revisions needed. Its central thrust of giving greater authority to the licensing agent in each municipality in the hope that the resulting patchwork of regulation may somehow

evolve into a strategy to effectively address a lucrative statewide pattern of theft and fencing is, at best, wishful thinking. Instead, what is clearly required is a comprehensive and uniform system statewide for licensing and regulating pawnbrokers, precious metal and second hand dealers.

I recognize that legitimate pawnbrokers provide an important service to those members of our society who don't have ready access to other means of credit or short term financial support. I also appreciate the fact that the Connecticut Association of Pawnbrokers recognizes the need to clean up the criminal activity by some of its members which have given a bad image to their profession. In the recommendations put forward through Raised Bill 5342 their Association has highlighted the confusion that now exists in the current statute as to who is the licensing authority in the various municipalities. Our investigations have clearly identified that there is no systematic approach to licensing and regulation of pawnbrokers across the State. That confusion has resulted in highly varied levels of regulation. In some municipalities no one assumes responsibility to license, regulate or inspect pawnbroking activities. HB 5342 simply relies on a system which we know currently is not working. Similarly, in proposing to give the licensing authority in each municipality more power to articulate conditions for the licensing and operations of pawnbrokers, Raised Bill 5342 recognizes that there are serious deficiencies in the current statutes which have been used by criminal segments in the pawnbroking industry to not fully document, disclose, or report purchasing transactions so as to permit law enforcement to identify criminal activity and/or recover stolen merchandise. Systematic

closure of those loopholes, however, requires statewide standards not a patchwork of locally imposed conditions of licensing.

In the latter part of 2008, police investigators identified a number of individuals including career thieves and known drug offenders, who were making frequent repeated sales of high value new in-box merchandise to certain pawn shops. As one example I would cite a convicted felon whose career of theft involved sixty-eight (68) arrests and seventy-two (72) convictions spanning twenty plus years. In one month, June 2008, that individual collected \$12,703 by selling fifty-two (52) new in-box power tools to two Waterbury pawn shops. Those items closely matched a series of theft occurring at Home Depot store across the state. The retail value of merchandise he sold was approximately \$40,000. The two pawn shops to which he sold that merchandise were both carrying on high volume sales of such merchandise through E-Bay. That individual was just one of several selling high volumes of new in-box merchandise in pawn shops across the State. His activity points to a scope of organized retail theft in the State which easily exceeds \$100 million per year.

In 2009 six police departments joined with the Connecticut State Police and Chief State's Attorney's office to conduct an investigation of some of the most active pawn shops in central Connecticut. New in-box merchandise clearly represented as stolen and in most cases still bearing spider wrap security devices was offered to ten pawn shops and one suspected high volume fencing business operating as a second hand dealer. Nine of the eleven businesses purchased the apparently stolen merchandise. Several even assisted directly in removing the

alarmed security devices from the merchandise. A few told our undercover posing as the thief what other types of merchandise they were looking for if he could provide it. The businesses purchased the merchandise at about thirty percent of retail value in most cases paying with cash. In at least one case the item purchased was listed on E-bay about two hours later and was sold at 100% profit about three hours after its listing. In the second stage of the investigation high value shrink wrapped pallets of electric tools purportedly stolen from Home Depot were offered to four of the most active pawnbroking businesses. All four of those businesses purchased some or all of that merchandise.

Our investigation resulted in twenty-six arrests of nineteen shop owners or employees. It clearly highlighted the broad scope of organized retail theft in the State and the central role some pawn shops were playing in the fencing of stolen merchandise. The scope and scale of those illegal activities clearly mandates that the weaknesses and loopholes in the current pawn broking statute must be effectively changed. With the recent spike in gold prices, similar problems in regulating precious metal dealers have also become all too frequent and apparent.

We strongly urge the Legislature to effectively amend the existing Statutes dealing with both pawnbrokers and precious metal dealers. Raised Bill 5342 in its current form does not remotely approach the type of change needed to combat the scope and scale of fencing activities ongoing in the State and, which are at least in part, being facilitated through pawn broking and precious metal dealing businesses. At a minimum changes to the current statute need to include:

- 1) Fixing licensing and regulation of pawn broker and precious metal dealers with the Chief of Police in every municipality where there is an organized police department. In jurisdictions where there is no organized police department that authority and responsibility should be fixed with the Department of Public Safety.
- 2) Applicants for such licenses should be required to provide all information necessary for a complete investigation including full disclosure of all principals in the business.
- 3) Required disclosure of all locations that will be used to purchase, receive, store or sell property so that all merchandise can be fully accounted for and inspected.
- 4) Digital photos of the seller and the identification presented by that party should be required at each transaction and retained for a minimum of two years.
- 5) Record keeping requirements must specify that a complete and detailed description of property purchase must be entered at the time of purchase.
- 6) Digital photos of all items purchased should be required and retained for a minimum of two years.
- 7) All property purchased by the pawnbroker shall be retained for a minimum period of 21 days to allow sufficient time for police to identify and recover stolen property.
- 8) Electronic report of all transactions should be mandated and transaction records should be forwarded to the licensing authority weekly or more often if required by the licensing authority.

- 9) Authorize police officers to require production of invoices and/or similar proof of origin for any merchandise stored or displayed at any business location which is not fully documented in the pawnbroker transaction records.
- 10) So there is a competent financial record for the business activities require that all checks issued by the pawnbroker for the purchase of property be processed through a financial institution.
- 11) All Internet addresses used by the pawnbroker to sell property received in the businesses should be disclosed to the licensing authority.
- 12) The requirements for licensing and operating a precious metal dealership should exactly parallel those of pawnbrokers.

Lastly, as systematic fencing activities are also being conducted through businesses which are neither pawn brokers or precious metal dealers the Legislature needs to develop parallel statutes to regulate second hand dealers who regularly purchase personal property for resale from individuals who are not wholesalers. A still better option would be to establish one uniform structure for licensing and regulation of pawnbrokers, precious metal dealers and second hand dealers. CPCA will gladly work with the Committee, the Pawnbroker Association and all other interested persons on crafting such necessary legislation.